

BOROUGH OF DUMONT
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2013

BOROUGH OF DUMONT

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BOROUGH OF DUMONT

BERGEN COUNTY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2013



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Dumont
Dumont, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Dumont, as of December 31, 2013 and 2012, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the year ended December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared and presented by the Borough of Dumont on the basis of financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the requirement that the Borough of Dumont prepare and present its financial statements on the regulatory basis of accounting as discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Dumont as of December 31, 2013 and 2012, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 1 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough's financial statements as of and for the years ended December 31, 2013 and 2012. The LOSAP Trust Fund financial activities are included in the Borough's Trust Funds, and represent 59 percent and 57 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2013 and 2012.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Dumont as of December 31, 2013 and 2012, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year ended December 31, 2013 in accordance with the basis of financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Required Supplementary Information

The Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to supplement the regulatory basis financial statements and therefore it has not been presented by management. Our opinion on the financial statements – regulatory basis is not affected by this missing information.

Other Information

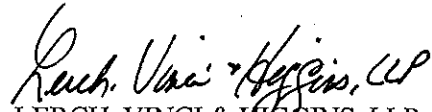
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Dumont as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance as required by NJ OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Dumont.


The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 6, 2014 on our consideration of the Borough of Dumont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Dumont's internal control over financial reporting and compliance.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
May 6, 2014

BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2013 AND 2012

ASSETS	Reference	2013	2012
Cash and Investments	A-4	\$ 3,009,132	\$ 3,348,707
Change Fund	A-6	250	250
Grants Receivable	A-14	-	53,164
		<u>3,009,382</u>	<u>3,402,121</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes Receivable	A-8	503,103	570,874
Tax Title Lien	A-9	5,013	4,331
Property Acquired for Taxes	A-10	79,526	79,526
Revenue Accounts Receivable	A-11	13,828	14,135
Due from Free Public Library	A-27	18,474	
Due from Other Trust Fund	B-2		22
Due from Animal Control Fund	B-5		3,488
Due from General Capital Fund	C-8		23
Due from Public Assistance Trust Fund	D-5	-	1
		<u>619,944</u>	<u>672,400</u>
Deferred Charges			
Overexpenditure of Budget Appropriation	A-13	-	4,728
Emergency Authorizations	A-13	100,000	
Special Emergency Authorizations	A-12	150,000	200,000
		<u>250,000</u>	<u>204,728</u>
Total Assets		<u>\$ 3,879,326</u>	<u>\$ 4,279,249</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2013 AND 2012
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Liabilities			
Appropriation Reserves	A-3,A-15	\$ 305,866	\$ 501,402
Encumbrances Payable	A-16	451,705	733,497
Special Emergency Note Payable	A-18	150,000	200,000
Accounts Payable	A-17	26,364	4,152
Due to State of NJ - Senior Citizens and Veterans	A-7	2,075	691
Other Liabilities	A-20		34,511
Due to General Capital Fund	C-8	28	
Miscellaneous Reserves	A-19	271,208	293,096
Prepaid Taxes	A-21	145,813	174,881
Tax Overpayments	A-22	7,571	250
County Taxes Payable	A-24	1,212	442
Appropriated Reserves for Grants	A-25	98,066	136,879
Unappropriated Reserves for Grants	A-26	54,789	53,413
		<u>1,514,697</u>	<u>2,133,214</u>
Reserve for Receivables and Other Assets	A	619,944	672,400
Fund Balance	A-1	<u>1,744,685</u>	<u>1,473,635</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 3,879,326</u>	<u>\$ 4,279,249</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF DUMONT
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,178,971	\$ 1,314,000
Miscellaneous Revenues Anticipated	A-2	2,455,832	2,566,987
Receipts from Delinquent Taxes	A-2	557,666	525,752
Receipts from Current Taxes	A-2	54,359,041	53,201,423
Non-Budget Revenues	A-2	422,502	235,365
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-15	266,506	377,979
Statutory Excess - Animal Control Fund	A-1		3,488
Interfunds Returned	A	3,534	15,783
Cancellation of Accounts/Other Payable	A-1	-	595
Total Revenues		<u>59,244,052</u>	<u>58,241,372</u>
EXPENDITURES			
Municipal Budget	A-3	19,728,820	19,640,649
County Taxes	A-24	4,408,036	4,080,449
Local District School Taxes	A-23	33,738,464	33,334,772
Interfund Advance	A		3,534
Refund of Prior Year Revenues	A-1		2,981
Adjustment - State Audit - Senior Citizen and Veterans Deductions	A-1		12,250
Cancellation of Grant Receivable (Net)	A-14, A-25	237	
Adjustment to Reserve for Receivables	A-27	<u>18,474</u>	<u>-</u>
Total Expenditures		<u>57,894,031</u>	<u>57,074,635</u>
Excess in Revenues		1,350,021	1,166,737
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-13	<u>100,000</u>	<u>4,728</u>
Statutory Excess to Fund Balance		1,450,021	1,171,465
Fund Balance, January 1	A	<u>1,473,635</u>	<u>1,616,170</u>
		2,923,656	2,787,635
Decreased by:			
Utilization as Anticipated Revenue	A-1, A-2	<u>1,178,971</u>	<u>1,314,000</u>
Fund Balance, December 31	A	<u>\$ 1,744,685</u>	<u>\$ 1,473,635</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF DUMONT
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

		<u>Anticipated</u>		<u>Excess or</u>
	<u>Reference</u>	<u>Budget</u>	<u>Realized</u>	<u>(Deficit)</u>
Fund Balance Utilized	A-1	\$ 1,178,971	\$ 1,178,971	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	A-11	15,000	14,488	\$ (512)
Other	A-2,A-11	5,000	6,259	1,259
Fees and Permits				
Construction Code Official	A-11	140,000	177,557	37,557
Recreation Fees	A-11	40,000	46,954	6,954
Other	A-2, A-11	50,000	54,550	4,550
Fines and Costs - Municipal Court	A-11	165,000	168,679	3,679
Interest on Costs on Taxes	A-11	90,000	95,238	5,238
Interest on Investments and Deposits	A-11	12,000	15,065	3,065
Fire Inspections - Additional	A-11	20,000	27,700	7,700
Consolidated Municipal Property Tax Relief Aid	A-11	126,301	126,301	-
Energy Receipts Tax	A-11	1,228,951	1,228,951	-
Clean Community Grant	A-26	23,673	23,673	-
Police Body Armor	A-26	5,581	5,581	-
Recycling Tonnage Grant	A-26	22,389	22,389	-
Alcohol Education and Rehabilitation	A-26	270	270	-
Green Communities Grant	A-26	1,500	1,500	-
General Capital Fund Balance	C-1	25,000	25,000	-
Reserve for Payment of Debt	C-10	50,000	50,000	-
Life Hazard Use Fees	A-11	11,000	11,543	543
Sale of Recyclables	A-11	87,000	103,825	16,825
PILOT - Senior Citizen Club	A-11	15,000	32,366	17,366
Cable Television Franchise Fees	A-11	200,000	217,943	17,943
Total Miscellaneous Revenues		2,333,665	2,455,832	122,167
Receipts from Delinquent Taxes	A-8	500,000	557,666	57,666
Amount to be Raised by Taxes for Support of				
Municipal Budget		16,076,060	16,672,414	596,354
Free Public Library		640,127	640,127	-
	A-2	16,716,187	17,312,541	596,354
Total General Revenues	A-3	\$ 20,728,823	21,505,010	\$ 776,187
Non-Budget Revenues	A-2		422,502	

\$ 21,927,512

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF DUMONT
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Reference</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections		
Revenues from Collections	A-1,A-8	\$ 54,359,041
Less: Allocation to School and County Taxes	A-23,A-24	<u>38,146,500</u>
Balance for Support of Municipal Budget Appropriation		16,212,541
Add Appropriation - "Reserve for Uncollected Taxes"	A-3	<u>1,100,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 17,312,541</u>
Licenses-Other		
Borough Clerk	A-11	\$ 6,073
Board of Health	A-11	<u>186</u>
	A-2	<u>\$ 6,259</u>
Fees and Permits-Other		
Borough Clerk	A-11	\$ 14,070
Construction Code	A-11	1,710
Police	A-11	2,311
Planning and Zoning	A-11	2,000
Fire Prevention	A-11	14,225
Board of Health	A-11	<u>20,234</u>
	A-2	<u>\$ 54,550</u>

BOROUGH OF DUMONT
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Reference</u>	
Analysis of Non-Budget Revenue		
AT&T Tower Rental		\$ 25,208
Metro PCS Monopole Rental		24,701
FEMA Reimbursement		203,545
Miscellaneous		53,474
Admin Fee - Srs. And Veterans		3,823
Division of Motor Vehicles		4,155
Housing Inspections		5,799
Dixon Homestead Library Reimbursements		75,702
6% Penalty		6,627
Insurance Fund Dividend		<u>19,468</u>
	A-2	<u>\$ 422,502</u>
Cash Receipts	A-4	\$ 387,991
Prior Year Revenue Realized	A-20	<u>34,511</u>
		<u>\$ 422,502</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF DUMONT
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2013 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
General Administration					
Salaries and Wages	\$ 278,538	\$ 284,180	\$ 284,034	\$ 146	
Other Expenses	63,560	73,761	67,632	6,129	
Postage	21,122	19,622	18,001	1,621	
Ethics Board					
Salaries and Wages	540	540	270	270	
Other Expenses	5,000	5,000	1,379	3,621	
Elections					
Other Expenses	14,200	14,200	14,012	188	
Financial Administration					
Salaries and Wages	163,254	163,832	163,832		
Other Expenses	97,953	97,953	36,297	61,656	
Assessment of Taxes					
Salaries and Wages	24,788	20,982	20,982	-	
Other Expenses	2,740	5,540	5,063	477	
Reassessment of Real Property					
Collection of Taxes					
Salaries and Wages	75,730	75,730	75,250	480	
Other Expenses	10,093	12,093	9,724	2,369	
Legal Services and Costs					
Borough Attorney - Other Expenses	43,500	43,500	36,955	6,545	
Other Expenses	35,000	35,000	23,955	11,045	
Engineering					
Other Expenses	45,000	51,700	47,396	4,304	
Planning Board/Zoning Board					
Salaries and Wages	2,000	2,000	2,000		
Other Expenses	9,800	9,800	5,963	3,837	
Insurance					
Unemployment Insurance	22,000	22,000	22,000		
General Liability	314,680	319,080	316,676	2,404	
Workers Compensation	316,125	316,125	316,125		
Employee Group Health	1,670,633	1,631,866	1,631,848	18	
Health Benefit Waiver	6,500	8,167	8,167	-	
Rent Leveling Board					
Salaries and Wages	540	270	270	-	
Other Expenses	2,000	2,000	902	1,098	
PUBLIC SAFETY FUNCTIONS					
Fire Department					
Other Expenses	100,000	100,000	94,159	5,841	
Life Hazard Use Fees					
Salaries and Wages	27,560	24,960	24,876	84	
Other Expenses	7,500	7,500	6,951	549	
Aid to Volunteer Fire Companies	42,000	42,000	42,000		
Rental of Fire Houses	28,000	28,000	28,000		
Fire Hydrant Services	188,000	183,000	179,940	3,060	

BOROUGH OF DUMONT
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2013 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
PUBLIC SAFETY FUNCTIONS (Continued)					
Police Department					
Salaries and Wages	\$ 5,003,188	\$ 5,068,188	\$ 5,063,109	\$ 5,079	
Other Expenses	140,922	173,922	158,825	15,097	
Police Reserve - Other Expenses	4,000	4,000	4,000		
Emergency Management	4,000	4,000	485	3,515	
Volunteer Ambulance Corp.					
Other Expenses	26,000	26,000	26,000		
Municipal Prosecutor					
Salaries and Wages	7,944	7,944	7,944		
Other Expenses	500				
PUBLIC WORKS FUNCTIONS					
Streets and Road Maintenance					
Salaries and Wages	1,821,080	1,821,080	1,813,740	7,340	
Other Expenses	204,750	204,750	197,166	7,584	
Recycling					
Salaries and Wages	4,048	4,048	3,931	117	
Garbage and Trash Removal					
Other Expenses	1,275,000	1,266,000	1,238,899	27,101	
Sewer System					
Other Expenses	6,000	5,000	4,902	98	
Public Building and Grounds					
Salaries and Wages	124,474	124,707	124,707	-	
Other Expenses	41,050	39,083	32,113	6,970	
Shade Tree					
Other Expenses	30,000	30,000	21,005	8,995	
HEALTH AND HUMAN SERVICES FUNCTIONS					
Board of Health					
Salaries and Wages	34,826	34,826	34,826	-	
Other Expenses	87,900	81,900	74,355	7,545	
Other Expenses-Contractual (Animal Shelter)	25,000	24,101	24,101	-	
Hepatitis Program	600				
Environmental Commission					
Other Expenses	500	500	326	174	
Administration of Public Assistance					
Salaries and Wages	6,150	5,571	5,571	-	
Other Expenses	100	100	32	68	
Aid to Community Center for Mental Health	8,000	8,000	8,000		
PARKS AND RECREATION FUNCTIONS					
Senior Citizens					
Salaries and Wages	65,889	62,831	62,831	-	
Other Expenses	14,900	14,900	10,974	3,926	
Parks and Playgrounds					
Salaries and Wages	104,896	91,120	91,120	-	
Other Expenses	32,000	32,000	31,378	622	

BOROUGH OF DUMONT
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2013 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OTHER COMMON OPERATING FUNCTIONS					
Celebration of Public Events					
Other Expenses	\$ 20,000	\$ 20,000	\$ 16,185	\$ 3,815	
MUNICIPAL COURT					
Salaries and Wages	139,344	128,791	128,767	24	
Other Expenses	13,150	13,150	9,399	3,751	
Public Defender (P.L. 1997, C.256)					
Salaries and Wages	4,964	4,964	4,964		
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4-17)					
CODE ENFORCEMENT AND ADMINISTRATION					
Salaries and Wages	176,166	182,411	182,411		
Other Expenses	11,500	13,700	12,661	1,039	
UNCLASSIFIED					
Utilities					
Gasoline	190,000	172,457	152,887	19,570	
Electricity	140,000	150,000	147,988	2,012	
Telephone	80,000	94,233	86,466	7,767	
Street Lighting	175,000	175,000	172,857	2,143	
Water	14,000	36,865	28,498	8,367	
Total Operations Within "CAPS"	13,656,197	13,726,543	13,468,082	258,461	
Detail:					
Salaries and Wages	8,065,919	8,108,975	8,095,435	13,540	
Other Expenses	5,590,278	5,617,568	5,372,647	244,921	
DEFERRED CHARGES AND REGULATORY EXPENDITURES-MUNICIPAL-WITHIN "CAPS"					
Deferred Charges:					
Overexpenditure of 2012 Budget Appropriations	4,728	4,728	4,728		
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	344,137	338,681	338,681		
Public Employees' Retirement System	396,683	396,683	396,683		
Police and Firemen's Retirement Fund of NJ	943,025	943,025	943,025		
Defined Contribution Retirement Plan (DCRP)	700	810	810	-	-
Total Deferred Charges and Statutory Expenditures - Within "CAPS"	1,689,273	1,683,927	1,683,927	-	-
Total General Appropriations for Municipal Purposes within "CAPS"	15,345,470	15,410,470	15,152,009	258,461	

BOROUGH OF DUMONT
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2013 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
UTILITY EXPENSES AND BULK PURCHASES					
Bergen County Utilities Authority	\$ 1,670,351	\$ 1,670,351	\$ 1,670,351		
EDUCATION FUNCTIONS					
Maintenance of Free Public Library	659,575	659,575	659,575		
GENERAL GOVERNMENT FUNCTIONS					
Reserve for Tax Appeals	50,000	50,000	50,000		
PUBLIC SAFETY FUNCTIONS					
Length of Service Awards Program (LOSAP)	<u>50,000</u>	<u>50,000</u>	<u>46,800</u>	<u>\$ 3,200</u>	<u>-</u>
Total Other Operations - Excluded from "CAPS"	<u>2,429,926</u>	<u>2,429,926</u>	<u>2,426,726</u>	<u>3,200</u>	<u>-</u>
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
FEDERAL AND STATE GRANTS					
Clean Communities Grant					
State Share	23,673	23,673	-	23,673	
Recycling Tonnage Grant					
Other Expenses	22,389	22,389	4,558	17,831	
Police Body Armor					
Other Expenses	5,581	5,581	4,956	625	
Alcohol Education and Rehabilitation					
Other Expenses	270	270		270	
Green Communities Grant					
Other Expenses	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues	<u>53,413</u>	<u>53,413</u>	<u>9,514</u>	<u>43,899</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>2,483,339</u>	<u>2,483,339</u>	<u>2,436,240</u>	<u>47,099</u>	<u>-</u>
Detail:					
Other Expenses	<u>2,483,339</u>	<u>2,483,339</u>	<u>2,436,240</u>	<u>47,099</u>	<u>-</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	55,000	55,000	55,000		
Acquisition of DPW Vehicle	<u>-</u>	<u>35,000</u>	<u>34,694</u>	<u>306</u>	<u>-</u>
Total Capital Improvements - Excluded from "CAPS"	<u>55,000</u>	<u>90,000</u>	<u>89,694</u>	<u>306</u>	<u>-</u>

BOROUGH OF DUMONT
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Appropriated</u>		<u>Expended</u>		
	<u>2013 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	\$ 663,000	\$ 663,000	\$ 663,000		
Payment of Bond Anticipation Note Principal	61,710	61,710	61,710		
Interest on Bonds	338,106	338,106	338,106		
Interest on Notes	51,856	51,856	51,856		
Green Trust					
Loan Repayments for Principal and Interest - Multi-Parks	12,437	12,437	12,437		
Bergen County Improvement Authority - Loan Repayment	69,035	69,035	69,034		\$ 1
NJEIT Loan Principal	342,384	342,384	342,383		1
NJEIT Loan Interest	101,808	101,808	101,807	-	1
Total Municipal Debt Service - Excluded from "CAPS"	<u>1,640,336</u>	<u>1,640,336</u>	<u>1,640,333</u>	<u>-</u>	<u>3</u>
DEFERRED CHARGES					
Special Emergency Authorizations - 5 yrs. (N.J.S. 40A:4-55)	50,000	50,000	50,000		
Deferred Charges to Future Taxation Unfunded Ordinance No. 1223	54,678	54,678	54,678	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>104,678</u>	<u>104,678</u>	<u>104,678</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>4,283,353</u>	<u>4,318,353</u>	<u>4,270,945</u>	<u>\$ 47,405</u>	<u>3</u>
Subtotal General Appropriations	19,628,823	19,728,823	19,422,954	305,866	3
RESERVE FOR UNCOLLECTED TAXES	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 20,728,823</u>	<u>\$20,828,823</u>	<u>\$20,522,954</u>	<u>\$ 305,866</u>	<u>\$ 3</u>
Original Budget	A-2	\$20,728,823			
Emergency Appropriation	A-13	<u>100,000</u>			
		<u>\$20,828,823</u>			
	<u>Reference</u>	A-2		A	
Cash Disbursements	A-4		\$18,673,133		
Encumbrances Payable	A-16		451,705		
Due to Unemployment Insurance Trust Fund	B-7		22,000		
Due to General Capital Fund	C-8		171,388		
Deferred Charges	A-13		4,728		
Special Emergency Authorizations	A-12		50,000		
Reserve for Tax Appeals	A-19		50,000		
Reserve for Uncollected Taxes	A-2		<u>1,100,000</u>		
			<u>\$20,522,954</u>		

BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2013 AND 2012

ASSETS	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Animal Control Fund			
Cash	B-1	\$ 5,435	\$ 13,301
Other Trust Fund			
Cash	B-1	642,175	559,653
Unemployment Insurance Trust Fund			
Cash	B-1	58,717	51,839
Due from Payroll Service Provider	B-11	661	676
		<u>59,378</u>	<u>52,515</u>
Length of Service Awards Program Fund (Unaudited)			
Investment	B	955,492	769,333
Contribution Receivable	B	46,800	47,400
		<u>1,002,292</u>	<u>816,733</u>
Total Assets		<u>\$ 1,709,280</u>	<u>\$ 1,442,202</u>

BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Animal Control Fund			
Due to State of New Jersey	B-4	\$ 146	\$ 146
Due to Current Fund	B-5	-	3,488
Reserve for Animal Control Expenditures	B-3	<u>5,289</u>	<u>9,667</u>
		<u>5,435</u>	<u>13,301</u>
Other Trust Fund			
Reserve for Developers Escrow	B-6	46,253	48,993
Miscellaneous Reserves	B-8	504,293	422,299
Payroll Deductions Payable	B-9	91,629	88,339
Due to Current Fund	B-2	<u>-</u>	<u>22</u>
		<u>642,175</u>	<u>559,653</u>
Unemployment Insurance Trust Fund			
Due to State of New Jersey	B-10	2,030	2,609
Reserve for Unemployment Insurance Expenditures	B-7	<u>57,348</u>	<u>49,906</u>
		<u>59,378</u>	<u>52,515</u>
Length of Service Awards Program Fund (Unaudited)			
Reserve for Length of Service Award Program	B	<u>1,002,292</u>	<u>816,733</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,709,280</u>	<u>\$ 1,442,202</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Cash	C-2, C-3	\$ 1,098,603	\$ 772,748
Grants Receivable	C-6	566,063	501,025
Environmental Infrastructure Trust Loans Receivable	C-7	62,515	2,479,053
Deferred Charges to Future Taxation			
Funded	C-4	16,875,560	17,938,124
Unfunded	C-5	5,805,596	5,066,088
Cancelled Receivables	C-9	23,903	78,581
Due from Current Fund	C-8	<u>28</u>	<u>-</u>
Total Assets		<u>\$ 24,432,268</u>	<u>\$ 26,835,619</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Bond Anticipation Notes	C-13	\$ 4,680,000	\$ 4,025,000
General Serial Bonds	C-11	10,020,000	10,683,000
Pension Obligation Lease Payable	C-12	868,000	916,000
Green Trust Fund Loan Payable	C-16	155,867	165,048
Environmental Infrastructure Trust Loan Payable	C-17	5,831,693	6,174,076
Improvement Authorizations			
Funded	C-14	883,207	770,935
Unfunded	C-14	1,091,727	1,377,324
Contracts Payable	C-15	431,238	2,247,247
Due to Current Fund	C-8	-	23
Reserve for Payment of Debt	C-10	87,310	137,310
Reserve for Preliminary Costs	C-19	-	25,000
Reserve for Grants Receivable	C-6	272,888	207,850
Capital Improvement Fund	C-18	45,663	36,600
Fund Balance	C-1	<u>64,675</u>	<u>70,206</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 24,432,268</u>	<u>\$ 26,835,619</u>

There were bonds and notes authorized but not issued of \$1,305,857 and \$1,048,983 at December 31, 2013 and 2012, respectively (Exhibit C-20).

BOROUGH OF DUMONT
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Balance, January 1	C	\$ 70,206	\$ 86,109
Increased by:			
Improvement Authorizations Canceled	C-14	323,292	
Premium on Bond Anticipation Notes	C-2	<u>19,469</u>	<u>9,097</u>
		412,967	95,206
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-14	323,292	
Anticipated as Revenue in Current Fund Budget	A-2	<u>25,000</u>	<u>25,000</u>
Balance, December 31	C	\$ <u>64,675</u>	\$ <u>70,206</u>

BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2013 AND 2012

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
ASSETS			
Cash	D-1	\$ 9,906	\$ 10,251
		<u>\$ 9,906</u>	<u>\$ 10,251</u>
LIABILITIES			
Due to Current Fund	D-5		\$ 1
Reserve for Goodwill	D-2	\$ 9,906	10,250
		<u>\$ 9,906</u>	<u>\$ 10,251</u>

BOROUGH OF DUMONT
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
AS OF DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Land and Land Improvements	\$ 3,093,893	\$ 3,093,893
Buildings and Building Improvements	4,754,780	4,633,826
Machinery and Equipment	<u>7,410,476</u>	<u>6,991,355</u>
	<u>\$ 15,259,149</u>	<u>\$ 14,719,074</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 15,259,149</u>	<u>\$ 14,719,074</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Dumont (the "Borough") was incorporated in 1894 and operates under an elected Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department or volunteer ambulance squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

B. Description of Regulatory Basis of Accounting

The financial statements of the Borough of Dumont have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

C. Basis of Presentation – Financial Statements

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The Borough has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Animal Control Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Borough as collateral.

Unemployment Insurance Trust Fund - This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to former eligible employees.

Length of Service Awards Program Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Borough.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough. The Borough's infrastructure is not reported in the account group.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Borough of Dumont follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Miscellaneous Revenues/Receivables - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Grant and Similar Award Revenues/Receivables - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

Property Acquired for Taxes - Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

Deferred Charges - Certain expenditures, operating deficits and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures, operating deficits and certain other items generally to be recognized when incurred, if measurable.

Appropriation Reserves - Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Expenditures - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

The Borough is not required to adopt budgets for the following funds:

Trust Funds
General Capital Fund
Public Assistance Fund

The Governing Body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The Governing Body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2013, the Borough Council increased the original budget by \$100,000. The increases were due to emergency authorizations in the amount of \$65,000 for police salaries and wages and \$35,000 for the acquisition of a public works vehicle. The Governing Body did not increase the 2012 original budget. In addition, the Governing Body approved several budget transfers during 2013 and 2012.

NOTE 3 DEPOSITS AND INVESTMENTS

The Borough considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

A. Deposits

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Dumont has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial individual cost of \$2,000 and an estimated useful life in excess of two years.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and sewerage and drainage systems are not capitalized.

Fixed Assets purchased after December 31, 2008 are stated as cost. Donated fixed assets over \$5,000 are recorded at estimated fair market value at the date of donation.

Fixed Assets purchased prior to December 31, 2008 are stated as follows:

Land and Land Improvements	Estimated Historical Cost
Buildings and Building Improvements	Assessed Value and/or Cost
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

GAAP requires that capital assets be recorded in the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available.

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain reclassifications have been made to the December 31, 2012 balances to conform to the December 31, 2013 presentation.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

A. Deposits (Continued)

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2013 and 2012, the book value of the Borough's deposits were \$4,824,218 and \$4,756,749 and bank and brokerage firm balances of the Borough's deposits amounted to \$5,526,066 and \$4,884,994, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2013</u>	<u>2012</u>
Insured	\$ 5,526,066	\$ 4,884,994

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does have a formal policy for custodial credit risk. As of December 31, 2013 and 2012, the Borough's bank deposits were not exposed to custodial credit risk.

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2013 and 2012, the Borough had the following investments:

	<u>Fair and Book Value</u>	
	<u>2013</u>	<u>2012</u>
Investment in Lincoln Financial (LOSAP)	\$ 955,492	\$ 769,333

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 3 DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does have a policy for custodial risk. As of December 31, 2013 and 2012, \$955,492 and \$769,333 of the Borough's investments was exposed to custodial credit risk as follows:

	<u>2013</u>	<u>2012</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 955,492	\$ 769,333

Interest Rate Risk – The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2013 and 2012, the Borough's investment in Lincoln Financial Group was rated Baa1 and Baa2, respectively, by Moody's Investor Services.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer.

The fair value of the above-listed investments were based on quoted market prices.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
<u>Current</u>		
Property Taxes	\$ 503,103	\$ 570,874
Tax Title Liens	5,013	4,331
	<u>\$ 508,116</u>	<u>\$ 575,205</u>

In 2013 and 2012, the Borough collected \$557,666 and \$525,752 from delinquent taxes, which represented 97% and 99% of the prior year delinquent taxes receivable balance, respectively.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 5 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund		\$ 28	\$ 3,534	
Animal Control Fund				\$ 3,488
Other Trust Fund				22
General Capital Fund	\$ 28			23
Public Assistance Fund	-	-	-	1
Total	<u>\$ 28</u>	<u>\$ 28</u>	<u>\$ 3,534</u>	<u>\$ 3,534</u>

The interfund balances are the result of expenditures being paid by one fund on behalf of another, revenues earned in one fund but owing to another fund and/or to cover cash balances which were in an overdraft position.

The Borough expects all interfund balances to be liquidated within one year.

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance</u>
<u>2013</u>			
Current Fund			
Emergency Authorizations	\$ 100,000	\$ 100,000	
Special Emergency Authorizations (40A:4-55)	<u>150,000</u>	<u>50,000</u>	<u>\$ 100,000</u>
	<u>\$ 250,000</u>	<u>\$ 150,000</u>	<u>\$ 100,000</u>
<u>2012</u>			
Current Fund			
Overexpenditure of Budget Appropriation	\$ 4,728	\$ 4,728	
Special Emergency Authorizations (40A:4-55)	<u>200,000</u>	<u>50,000</u>	<u>\$ 150,000</u>
	<u>\$ 204,728</u>	<u>\$ 54,728</u>	<u>\$ 150,000</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balance in the Current Fund is comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	Fund Balance December 31, <u>2013</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2012</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 1,644,685	\$ 1,200,000	\$ 1,415,743	\$ 1,178,971
Non-Cash Surplus	<u>100,000</u>	<u>-</u>	<u>57,892</u>	<u>-</u>
	<u>\$ 1,744,685</u>	<u>\$ 1,200,000</u>	<u>\$ 1,473,635</u>	<u>\$ 1,178,971</u>

The above fund balance amount appropriated represents the surplus anticipated in the 2014 introduced municipal budget. The 2014 municipal budget has not been legally adopted as of the date of audit.

NOTE 8 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2013 and 2012.

	Balance December 31, <u>2012</u>	<u>Additions</u>	<u>Decreases</u>	Balance, December 31, <u>2013</u>
<u>2013</u>				
Land and Land Improvements	\$ 3,093,893			\$ 3,093,893
Buildings and Building Improvements	4,633,826	\$ 120,954		4,754,780
Machinery and Equipment	<u>6,991,355</u>	<u>419,121</u>	<u>-</u>	<u>7,410,476</u>
	<u>\$ 14,719,074</u>	<u>\$ 540,075</u>	<u>\$ -</u>	<u>\$ 15,259,149</u>
	Balance December 31, <u>2011</u>	<u>Additions</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Land and Land Improvements	\$ 3,093,893			\$ 3,093,893
Buildings and Building Improvements	4,492,912	\$ 140,914		4,633,826
Machinery and Equipment	<u>6,896,659</u>	<u>94,696</u>	<u>-</u>	<u>6,991,355</u>
	<u>\$ 14,483,464</u>	<u>\$ 235,610</u>	<u>\$ -</u>	<u>\$ 14,719,074</u>